

**REPORT OF THE AUDIT OF THE  
HARRISON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HARRISON COUNTY FISCAL COURT**

**June 30, 2006**

The Auditor of Public Accounts has completed the audit of the Harrison County Fiscal Court for fiscal year ended June 30, 2006. We have issued an unqualified opinion on the governmental activities, and each major fund.

#### **Financial Condition:**

The fiscal court had net assets of \$9,368,173 as of June 30, 2006. The fiscal court had unrestricted net assets of \$1,288,761 in its governmental activities as of June 30, 2006. The fiscal court had total debt principal as of June 30, 2006 of \$5,368,679 with \$264,113 due within the next year.

#### **Deposits:**

The fiscal court and component unit's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Alexander Barnett, Harrison County Judge/Executive  
Honorable Dean Peak, Former Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Harrison County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Harrison County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Harrison County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harrison County, Kentucky, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
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In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2007, on our consideration of Harrison County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

February 22, 2007



HARRISON COUNTY OFFICIALS

For The Year Ended June 30, 2006

**Fiscal Court Members:**

Dean Peak	County Judge/Executive
Stanley Lemons	Magistrate
Paula Taylor	Magistrate
Charles Marshall	Magistrate
Jerry Dawson	Magistrate
Robert Lake	Magistrate
Alexander Barnett	Magistrate
Bill Milner	Magistrate
James Darryl Rainey	Magistrate

**Other Elected Officials:**

Charles W. Kuster, Jr.	County Attorney
Willard L. Turner	Jailer
Linda Furnish	County Clerk
Wanda Marsh	Circuit Court Clerk
Bruce Hampton	Sheriff
Jerry Casey	Property Valuation Administrator
Tom Ware	Coroner

**Appointed Personnel:**

Deborah Martin	County Treasurer
Candida Lewis	Occupational Tax Collector
Judy Smith	Finance Officer
Wanda Jones	Deputy County Judge/Executive

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**HARRISON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2006**



**HARRISON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2006**

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,288,761
Note Receivable	12,143
Total Current Assets	<u>1,300,904</u>
Noncurrent Assets:	
Note Receivable	80,904
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	488,500
Buildings	5,801,187
Land Improvements	76,460
Other Equipment	411,675
Vehicles and Equipment	666,033
Infrastructure Assets - Net of Depreciation	<u>5,911,189</u>
Total Noncurrent Assets	<u>13,435,948</u>
Total Assets	<u>14,736,852</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Revenue Bonds Payable	230,000
Financing Obligations Payable	34,113
Total Current Liabilities	<u>264,113</u>
Noncurrent Liabilities:	
Revenue Bonds Payable	5,020,000
Financing Obligations Payable	84,566
Total Noncurrent Liabilities	<u>5,104,566</u>
Total Liabilities	<u>5,368,679</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	8,079,412
Unrestricted	1,288,761
Total Net Assets	<u>\$ 9,368,173</u>

The accompanying notes are an integral part of the financial statements.

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**HARRISON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2006**

**HARRISON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,858,797	\$ 7,907	\$ 380,745	\$ 378,348
Protection to Persons and Property	1,211,653	5,240	164,636	188,872
General Health and Sanitation	564,163	8,258		
Social Services	115,146			
Recreation and Culture	157,956			91,469
Roads	1,039,429	40,677	1,472,702	
Airports	10,000			
Bus Service	15,411		27,406	
Road Facilities	2,000			
Interest on Long-term Debt	226,536		249,740	
Capital Projects	139,217			
Total Governmental Activities	<u>\$ 5,340,308</u>	<u>\$ 62,082</u>	<u>\$ 2,295,229</u>	<u>\$ 658,689</u>

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Occupational Taxes  
Other Taxes  
Excess Fees  
Enhanced 911 Fees  
Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**HARRISON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2006**  
**(Continued)**

**Net (Expenses) Revenues**  
**and Changes in Net Assets**  
**Primary Government**

**Governmental**  
**Activities**

\$	(1,091,797)
	(852,905)
	(555,905)
	(115,146)
	(66,487)
	473,950
	(10,000)
	11,995
	(2,000)
	23,204
	<u>(139,217)</u>
	<u>(2,324,308)</u>

	598,188
	176,491
	140,883
	2,173,346
	447,946
	19,764
	317,385
	<u>225,996</u>
	<u>4,099,999</u>
	1,775,691
	<u>7,592,482</u>
\$	<u><u>9,368,173</u></u>

The accompanying notes are an integral part of the financial statements.

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**HARRISON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2006**

**HARRISON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 892,267	\$ 100,835	\$ 20,574	\$ 16	\$ 17,459
Total Assets	<u>\$ 892,267</u>	<u>\$ 100,835</u>	<u>\$ 20,574</u>	<u>\$ 16</u>	<u>\$ 17,459</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 1,368	\$ 20,163	\$ 134	\$	\$
Unreserved:					
General Fund	890,899				
Special Revenue Funds		80,672	20,440	16	17,459
Debt Service Fund					
Total Fund Balances	<u>\$ 892,267</u>	<u>\$ 100,835</u>	<u>\$ 20,574</u>	<u>\$ 16</u>	<u>\$ 17,459</u>

The accompanying notes are an integral part of the financial statements.

**HARRISON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2006**  
**(Continued)**

<b>E-911 Fund</b>	<b>Shropshire Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Total Governmental Funds</b>
\$ 13,191	\$ 230,673	\$ 13,746	\$ 1,288,761
\$ 13,191	\$ 230,673	\$ 13,746	\$ 1,288,761
\$ 111	\$ 80	\$	\$ 21,856
13,080	230,593		890,899
		13,746	362,260
			13,746
\$ 13,191	\$ 230,673	\$ 13,746	\$ 1,288,761

**Reconciliation Of The Balance Sheet - Governmental Funds To The Statement Of Net Assets:**

Total Fund Balances	\$ 1,288,761
Amounts Reported For Governmental Activities in the Statement of Net Assets Are Different Because:	
Note Receivable - Amount Due from Sub-lessee, However Paid Directly to Lessor by Sub-lessee, Therefore Not Available as Funds to the County and Not an Asset in the Governmental Funds.	93,047
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	22,966,519
Accumulated Depreciation	(9,611,475)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(118,679)
Bonded Debt	(5,250,000)
Net Assets Of Governmental Activities	\$ 9,368,173

The accompanying notes are an integral part of the financial statements.

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**HARRISON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

**HARRISON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>REVENUES</b>				
Taxes	\$ 3,501,361	\$	\$	\$
In Lieu Tax Payments	4,186			
Excess Fees	19,764			
Licenses and Permits	4,604			
Intergovernmental	572,598	1,472,703	85,430	
Charges for Services			5,240	
Miscellaneous	104,709	57,168	1,981	
Interest	28,147	919		
Total Revenues	<u>4,235,369</u>	<u>1,530,790</u>	<u>92,651</u>	
<b>EXPENDITURES</b>				
General Government	1,106,918			
Protection to Persons and Property	368,251		299,294	
General Health and Sanitation	519,032			
Social Services	115,146			
Recreation and Culture	326,581			
Roads		2,167,680		
Airports	10,000			
Bus Service	15,411			
Other Transportation Facilities and Services	2,000			
Debt Service	11,790			
Capital Projects	70,282	63,451		
Administration	506,130	223,340	28,865	
Total Expenditures	<u>3,051,541</u>	<u>2,454,471</u>	<u>328,159</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,183,828</u>	<u>(923,681)</u>	<u>(235,508)</u>	
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	101,469	924,100	236,000	
Transfers To Other Funds	(1,218,479)			
Total Other Financing Sources (Uses)	<u>(1,117,010)</u>	<u>924,100</u>	<u>236,000</u>	
Net Change in Fund Balances	66,818	419	492	
Fund Balances - Beginning (Restated)	825,449	100,416	20,082	16
Fund Balances - Ending	<u>\$ 892,267</u>	<u>\$ 100,835</u>	<u>\$ 20,574</u>	<u>\$ 16</u>

The accompanying notes are an integral part of the financial statements.



**HARRISON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>Federal Grants Fund</b>	<b>E-911 Fund</b>	<b>Shropshire Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Total Governmental Funds</b>
\$	\$ 317,385	\$	\$	\$ 3,818,746
				4,186
				19,764
				4,604
329,636	66,011	3,303	470,638	3,000,319
		8,258		13,498
	52,212	434		216,504
	305	8,944	63	38,378
<u>329,636</u>	<u>435,913</u>	<u>20,939</u>	<u>470,701</u>	<u>7,115,999</u>
27,422				1,134,340
202,283	521,557			1,391,385
20,000		23,596		562,628
				115,146
				326,581
				2,167,680
				10,000
				15,411
				2,000
			468,506	480,296
			5,484	139,217
			1,225	759,560
<u>249,705</u>	<u>521,557</u>	<u>23,596</u>	<u>475,215</u>	<u>7,104,244</u>
79,931	(85,644)	(2,657)	(4,514)	11,755
24,479	50,000			1,336,048
<u>(117,569)</u>				<u>(1,336,048)</u>
<u>(93,090)</u>	<u>50,000</u>			
(13,159)	(35,644)	(2,657)	(4,514)	11,755
30,618	48,835	233,330	18,260	1,277,006
<u>\$ 17,459</u>	<u>\$ 13,191</u>	<u>\$ 230,673</u>	<u>\$ 13,746</u>	<u>\$ 1,288,761</u>

The accompanying notes are an integral part of the financial statements.

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**HARRISON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**



**HARRISON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
In Fund Balances - Governmental Funds to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$	11,755
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Contribution from the Community Action Council for on-behalf payment made to reduce debt incurred by the County for the Community Service Building Renovation and also reduces the note receivable recorded in the governmental activities.		(11,790)
---	--	----------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		2,236,716
Depreciation Expense		(706,517)
Book Value of Capital Assets Sold		(8,233)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets.

Financing Obligation Payments		33,760
Bond Payments		220,000

Change in Net Assets of Governmental Activities	\$	<u>1,775,691</u>
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TO THE FINANCIAL STATEMENTS**

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**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government wide and fund financial statements in accordance with the a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Harrison County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Harrison County Public Properties Corporation:**

The Harrison County Public Properties Corporation cannot be sued in its own name without recourse to the Harrison County Fiscal Court, who appoints a voting majority consisting of the fiscal court members and the County Attorney. The fiscal court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as the agency in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Harrison County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Harrison County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. Harrison County has no business-type activities or fiduciary funds.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.



**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements. Harrison County does not have any proprietary or fiduciary funds.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for revenues and expenditures under the Local Government Economic Assistance Program.

Federal Grants Fund - The purpose of this fund is to account for federal grant funds received and expended.

E-911 Fund - The purpose of this fund is to account for revenues and expenditures of the E-911.

Shropshire Fund - The purpose of this fund is to account for the revenues and expenditures of the Shropshire Animal Shelter.

Public Properties Corporation Fund - This fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build a justice center. The Public Properties Corporation entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

The primary government designated all its funds as major funds; therefore there are no non-major funds.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (Mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the governmental activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

**G. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted, nor are they required by the State Local Finance Officer for the Public Properties Corporation Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Harrison County Fiscal Court: Cynthiana/Harrison County Public Properties Corporation, Cynthiana/Harrison County Industrial Authority, and Cynthiana/Berry/Harrison County E-911.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 2. Deposits**

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 488,500	\$	\$	\$ 488,500
Construction In Progress	350,812		(350,812)	
Total Capital Assets Not Being Depreciated	839,312		(350,812)	488,500
Capital Assets, Being Depreciated:				
Buildings	5,832,578	479,047		6,311,625
Land Improvements		81,053		81,053
Other Equipment	474,542	307,164		781,706
Vehicles and Equipment	1,315,164	137,738	(26,200)	1,426,702
Infrastructure	12,294,407	1,582,526		13,876,933
Total Capital Assets Being Depreciated	19,916,691	2,587,528	(26,200)	22,478,019
Less Accumulated Depreciation For:				
Buildings	(417,949)	(92,489)		(510,438)
Land Improvements		(4,593)		(4,593)
Other Equipment	(328,567)	(41,464)		(370,031)
Vehicles and Equipment	(660,332)	(118,304)	17,967	(760,669)
Infrastructure	(7,516,077)	(449,667)		(7,965,744)
Total Accumulated Depreciation	(8,922,925)	(706,517)	17,967	(9,611,475)
Total Capital Assets, Being Depreciated, Net	10,993,766	1,881,011	(8,233)	12,866,544
Governmental Activities Capital Assets, Net	\$ 11,833,078	\$ 1,881,011	\$ (359,045)	\$ 13,355,044

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	\$ 106,298
Protection to Persons and Property	77,103
General Health and Sanitation	1,535
Recreation and Culture	12,254
Roads, Including Depreciation of General Infrastructure Assets	509,327
Total Depreciation Expense - Governmental Activities	<u>\$ 706,517</u>

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 4. Short-term Debt**

In July 2005, Harrison County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$713,200, with principal being due in January 2005. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky advance Revenue Program of \$3,267.

Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Kentucky Advance Revenue Program	\$	\$ 713,200	\$ 713,200	\$
Governmental Activities				
Short-term Liabilities	\$ 0	\$ 713,200	\$ 713,200	\$ 0

**Note 5. Long-term Debt**

**A. First Mortgage Revenue Bonds, Series 2001**

On February 7, 2001, the Harrison County Public Properties Corporation issued \$6,075,000 in First Mortgage Revenue Bonds, Series 2001, for the purpose of constructing a Justice Center. The bond issue covers a twenty-year period with an annual principal payment due each March 1, beginning March 1, 2003. Interest is payable semi-annually each September 1 and March 1, beginning September 1, 2001. The county subsequently entered into a sub-lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. The total principal balance outstanding was \$5,250,000 as of June 30, 2006.

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Interest	Scheduled Principal
2007	\$ 240,337	\$ 230,000
2008	230,562	240,000
2009	220,362	250,000
2010	209,737	260,000
2011	198,687	275,000
2012-2016	799,172	1,585,000
2017-2021	394,012	1,960,000
2022	21,375	450,000
Totals	\$ 2,314,244	\$ 5,250,000

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Financing Obligations, Capital Lease (Community Service Building Renovation), and Note Receivable**

On December 17, 2002, the County entered into a ten-year lease agreement with Kentucky Association of Counties Leasing Trust, in the amount of \$127,396, for the renovation of the Community Service Building. The lease agreement calls for yearly principal payments due in January of each year starting in January 2004 and monthly interest payments starting in February 2003. The county subsequently entered into a sub-lease agreement with the Community Action Council for Lexington-Fayette, Harrison, and Nicholas Counties, Inc., which pays the lease payments directly to Kentucky Association of Counties Leasing Trust. The total lease principal balance outstanding was \$93,047 as of June 30, 2006. The total note receivable balance still due the county as of June 30, 2006, was also \$93,047.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2007	\$ 3,858	\$ 12,143
2008	3,319	12,508
2009	2,764	12,883
2010	2,192	13,269
2011	1,603	13,667
2012-2013	<u>1,367</u>	<u>28,577</u>
Totals	<u>\$ 15,103</u>	<u>\$ 93,047</u>

**C. Financing Obligations, Capital Lease-Purchase (Caterpillar 420D Backhoe Loader)**

On September 14, 2004, the County entered into a three-year lease-purchase agreement with Caterpillar Financial Services Corporation, in the amount of \$65,910, for a Caterpillar 420D Backhoe Loader. The agreement calls for monthly principal payments of \$1,831 starting in September 2004 (The interest rate on the agreement is zero percent). The total principal balance outstanding was \$25,632 as of June 30, 2006.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>
2007	\$ 21,970
2008	<u>3,662</u>
Totals	<u>\$ 25,632</u>

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 5,470,000	\$	\$ 220,000	\$ 5,250,000	\$ 230,000
Financing Obligations	152,439		33,760	118,679	34,113
Governmental Activities					
Long-term Liabilities	<u>\$ 5,622,439</u>	<u>\$ 0</u>	<u>\$ 253,760</u>	<u>\$ 5,368,679</u>	<u>\$ 264,113</u>

**Note 6. Related Party Transaction**

In April 2003, Harrison County Fiscal Court and the City of Cynthiana entered into an agreement to purchase a tract of land (approximately 120 acres) from Handy Farm, Inc. of Cynthiana, Kentucky. The total consideration for the acreage was six hundred sixty thousand dollars (\$660,000) (See Note 7. D.). Charles Marshall, a magistrate of the Harrison County Fiscal Court, was part owner of the Handy Farm. On April 15, 2004, the Harrison County Ethics Committee investigated this purchase and found no ethical violations in the matter.

**Note 7. Commitments and Contingencies**

**A. Cynthiana/Harrison County Public Properties Corporation**

In June 1995, the Harrison County Fiscal Court (County) and the City of Cynthiana (City) formed the Cynthiana/Harrison County Public Properties Corporation (Corporation) for the acquisition and financing of the Cynthiana/Harrison County Community Service Building project. Upon formation of the Corporation, individual and corporate donations were received and the City received a \$350,000 CDBG grant to construct the community service building. The donations and grant were expected to be approximately \$500,000 short of the anticipated construction costs. The Corporation executed a loan agreement with Farmers National Bank to draw up to \$499,000 in order to complete the project. The rent collected from several community service organizations is used to service the debt. The Corporation is managed by the City, and there has been no audit performed for the Corporation in the past six (6) years. Should the Corporation default on the loan at Farmers National Bank, the county could be responsible for one-half of the outstanding liabilities. As of June 30, 2006, the outstanding principal balance was \$423,008.



**HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006  
(Continued)**

**Note 7. Commitments and Contingencies (Continued)**

**B. Cynthiana/Harrison County Industrial Authority**

In January 1999, Harrison County Fiscal Court (the County) adopted a resolution, which obligates the county (in conjunction with the City of Cynthiana's matching offer) to cover fifty percent of any expenses "not covered from net sales proceeds of land by the Cynthiana/Harrison County Industrial Authority" (the Authority). This obligation was made in support of the Authority's project to develop an industrial park in Harrison County. In this resolution, the County also committed "the sum of two hundred fifty thousand (\$250,000) dollars" in order for the Authority to receive an additional one and one-half million (\$1,500,000) dollar federal grant. The County's commitment represents one-half of the matching funds needed (in conjunction with the City's matching offer) for the Authority to receive the additional funding. The Authority obtained an \$800,000 loan for the purchase of the land for the project. As of June 30, 2006, the outstanding principal balance on the loan was \$614,651. In the fiscal year ended June 30, 2006 the county paid the Authority \$52,500 for their share of the operating expenses of the Authority.

**C. Cynthiana/Berry/Harrison County E-911**

In April 1999, Harrison County Fiscal Court (the County) passed an ordinance for "the establishment of an Enhanced 911 Emergency Telephone Service within Cynthiana and Harrison County, Kentucky." An E-911 Advisory Board (the Board) was created with the City of Cynthiana (the City) and the County equally represented on the Board. The City and County subsequently entered into an interlocal agreement which states, in part, "The cost of the E-911 program shall be funded from the receipts from a telephone service surcharge, which has been levied by the County to be collected by the appropriate telephone operating company on each eligible business and residential telephone line operating within Harrison County. The County may fix or change the rate of the telephone surcharge to be applied, but it shall be sufficient to meet the budgetary requirements for the operation of the E-911 program. If at any time moneys collected from the telephone surcharge are insufficient to meet the needs and obligations of the Board for the operation of the E-911 program, the remaining costs shall be apportioned evenly (50/50) between the City and the County and immediately forwarded to the Harrison County Treasurer for use by the Board in the operation of the Center." The assessment fee during the year of audit was \$4.00 per month for each telephone line within the City and County, and during the fiscal year ended June 30, 2006, the City and County each contributed \$50,000 (\$100,000 total) toward the operating expenses of the E-911 program.

**D. Cynthiana/Harrison County Real Estate Purchase**

In April 2003, Harrison County Fiscal Court (the County) and the City of Cynthiana (the City) entered into an agreement to purchase a tract of land (approximately 120 acres) from Handy Farm, Inc. of Cynthiana, Kentucky. The total consideration for the acreage was six hundred sixty thousand dollars (\$660,000). Based on the agreement between the City and County each party is responsible for half the purchase price. The County paid twenty-five thousand dollars (\$25,000) for the option to purchase the land, and an additional two hundred thirty-five thousand dollars (\$235,000) the day of closing. The terms of the purchase agreement call for an additional "four hundred thousand dollars (\$400,000) without interest thereon until the date of maturity, payable as hereinafter set out: This note to be paid in equal yearly installments of one hundred thousand dollars (\$100,000) each commencing one (1) year from the date hereof on the anniversary date hereof and continuing on the same date each year thereafter until paid in full." In April 2004 and 2005, the City made the scheduled payments of one hundred thousand dollars (\$100,000). During the year of audit, the County made a payment of twenty thousand dollars (\$20,000) and the City paid eighty thousand dollars (\$80,000), leaving a June 30, 2006 balance of one hundred thousand dollars (\$100,000). The purpose of this real estate purchase was to establish a public park for the citizens of Harrison County and Cynthiana.

**HARRISON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 8. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 9. Insurance**

For the fiscal year ended June 30, 2006, Harrison County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Prior Period Adjustments**

Net Assets – Beginning, on the Statement of Activities, and Fund Balances – Beginning, on the Statement of Revenues, Expenditures, and Changes In Fund Balances have been increased by \$165 to reflect voided prior year checks. The total adjustment to Net Assets – Beginning and Fund Balances – Beginning is \$165.

**Note 11. Estimated Infrastructure Historical Cost**

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major construction or reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through the current fiscal year. All infrastructure assets placed in service during the fiscal year ended June 30, 2004, and thereafter are recorded at actual historical cost.

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**



**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 3,106,000	\$ 3,106,000	\$ 3,501,361	\$ 395,361
In Lieu Tax Payments	4,000	4,000	4,186	186
Excess Fees	23,428	23,428	19,764	(3,664)
Licenses and Permits	2,000	2,000	4,604	2,604
Intergovernmental Revenue	954,814	954,814	560,808	(394,006)
Miscellaneous	51,000	51,000	104,709	53,709
Interest	16,500	16,500	28,147	11,647
Total Revenues	4,157,742	4,157,742	4,223,579	65,837
<b>EXPENDITURES</b>				
General Government	1,218,911	1,300,697	1,106,918	193,779
Protection to Persons and Property	407,730	405,235	368,251	36,984
General Health and Sanitation	636,368	674,368	519,032	155,336
Social Services	121,342	133,342	115,146	18,196
Recreation and Culture	588,230	410,550	326,581	83,969
Airports	10,000	10,000	10,000	
Bus Services	15,000	15,420	15,411	9
Other Transportation Facilities and Services	2,000	2,000	2,000	
Debt Service	1,755,800	970,909		970,909
Capital Projects	105,000	90,500	70,282	20,218
Administration	603,834	561,303	506,130	55,173
Total Expenditures	5,464,215	4,574,324	3,039,751	1,534,573
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,306,473)	(416,582)	1,183,828	1,600,410
<b>OTHER FINANCING SOURCES (USES)</b>				
Borrowed Money - Kentucky Advanced Revenue Program	1,755,800	1,755,800		(1,755,800)
Transfers From Other Funds			101,469	101,469
Transfers To Other Funds	(1,448,079)	(1,448,079)	(1,218,479)	229,600
Total Other Financing Sources (Uses)	307,721	307,721	(1,117,010)	(1,424,731)
Net Changes in Fund Balance	(998,752)	(108,861)	66,818	175,679
Fund Balance - Beginning	998,752	998,752	825,449	(173,303)
Fund Balance - Ending	\$ 0	\$ 889,891	\$ 892,267	\$ 2,376

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 893,596	\$ 893,596	\$ 1,472,703	\$ 579,107
Miscellaneous	16,000	16,000	57,168	41,168
Interest	1,000	1,000	919	(81)
Total Revenues	910,596	910,596	1,530,790	620,194
<b>EXPENDITURES</b>				
Roads	1,471,975	2,234,475	2,167,680	66,795
Capital Projects	125,000	115,000	63,451	51,549
Administration	310,500	259,000	223,340	35,660
Total Expenditures	1,907,475	2,608,475	2,454,471	154,004
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(996,879)	(1,697,879)	(923,681)	774,198
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	896,879	896,879	924,100	27,221
Total Other Financing Sources (Uses)	896,879	896,879	924,100	27,221
Net Changes in Fund Balance	(100,000)	(801,000)	419	801,419
Fund Balance - Beginning	100,000	100,000	100,416	416
Fund Balance - Ending	\$ 0	\$ (701,000)	\$ 100,835	\$ 801,835

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 82,200	\$ 82,200	\$ 85,430	\$ 3,230
Charges for Services	7,500	7,500	5,240	(2,260)
Miscellaneous	1,000	1,000	1,981	981
Total Revenues	90,700	90,700	92,651	1,951
EXPENDITURES				
Protection to Persons and Property	548,300	548,300	299,294	249,006
Administration	37,600	37,600	28,865	8,735
Total Expenditures	585,900	585,900	328,159	257,741
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(495,200)	(495,200)	(235,508)	259,692
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	475,200	475,200	236,000	(239,200)
Total Other Financing Sources (Uses)	475,200	475,200	236,000	(239,200)
Net Changes in Fund Balance	(20,000)	(20,000)	492	20,492
Fund Balance - Beginning	20,000	20,000	20,082	82
Fund Balance - Ending	\$ 0	\$ 0	\$ 20,574	\$ 20,574

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>LGEA FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 516	\$ 516	\$	\$ (516)
Total Revenues	516	516		(516)
<b>EXPENDITURES</b>				
Capital Projects	516	516		(516)
Total Expenditures	516	516		(516)
Excess (Deficiency) of Revenues Over Expenditures				
Net Changes in Fund Balances				
Fund Balances - Beginning			16	16
Fund Balances - Ending	\$ 0	\$ 0	\$ 16	\$ 16



**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>FEDERAL GRANTS FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 425,239	\$ 425,239	\$ 329,636	\$ (95,603)
Total Revenues	425,239	425,239	329,636	(95,603)
<b>EXPENDITURES</b>				
General Government	123,810	123,810	27,422	96,388
Protection to Persons and Property	65,000	253,891	202,283	51,608
General Health and Sanitation	151,429	151,429	20,000	131,429
Recreation and Culture	75,000	75,000		75,000
Administration	50,000	50,000		50,000
Total Expenditures	465,239	654,130	249,705	404,425
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(40,000)	(228,891)	79,931	308,822
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			24,479	24,479
Transfers To Other Funds			(117,569)	(117,569)
Total Other Financing Sources (Uses)			(93,090)	(93,090)
Net Changes in Fund Balances	(40,000)	(228,891)	(13,159)	215,732
Fund Balances - Beginning	40,000	40,000	30,618	(9,382)
Fund Balances - Ending	\$ 0	\$ (188,891)	\$ 17,459	\$ 206,350

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>E-911 FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 350,000	\$ 350,000	\$ 317,385	\$ (32,615)
Intergovernmental Revenue	50,000	50,000	66,011	16,011
Miscellaneous	77,000	77,000	52,212	(24,788)
Interest	1,000	1,000	305	(695)
Total Revenues	478,000	478,000	435,913	(42,087)
<b>EXPENDITURES</b>				
Protection to Persons and Property	578,000	581,000	521,557	59,443
Administration	5,000	2,000		2,000
Total Expenditures	583,000	583,000	521,557	61,443
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(105,000)	(105,000)	(85,644)	19,356
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	76,000	76,000	50,000	(26,000)
Total Other Financing Sources (Uses)	76,000	76,000	50,000	(26,000)
Net Changes in Fund Balances	(29,000)	(29,000)	(35,644)	(6,644)
Fund Balances - Beginning	29,000	29,000	48,835	19,835
Fund Balances - Ending	\$ 0	\$ 0	\$ 13,191	\$ 13,191

**HARRISON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>SHROPSHIRE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 2,000	\$ 2,000	\$ 3,303	\$ 1,303
Charges for Services	12,000	12,000	8,258	(3,742)
Miscellaneous	1,000	1,000	434	(566)
Interest	4,500	4,500	8,944	4,444
Total Revenues	19,500	19,500	20,939	1,439
<b>EXPENDITURES</b>				
General Health and Sanitation	35,500	35,500	23,596	11,904
Total Expenditures	35,500	35,500	23,596	11,904
Excess (Deficiency) of Revenues Over Expenditures	(16,000)	(16,000)	(2,657)	13,343
Net Changes in Fund Balances	(16,000)	(16,000)	(2,657)	13,343
Fund Balances - Beginning	16,000	16,000	233,330	217,330
Fund Balances - Ending	\$ 0	\$ 0	\$ 230,673	\$ 230,673

**HARRISON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2006**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of the Budgetary Comparison Schedule-General Fund  
to the Statement of Revenues, Expenditures, and Changes in Fund Balance-  
Governmental Funds**

Total Revenues-Budgetary Basis	\$ 4,223,579
Plus: Contributions made by Community Action Council	<u>11,790</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 4,235,369</u></u>
 Total Expenditures-Budgetary Basis	 \$ 3,039,751
Plus: Debt service payments on Community Service Building Renovation	<u>11,790</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 3,051,541</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Alexander Barnett, Harrison County Judge/Executive  
The Honorable Dean Peak, Former Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

**Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities and each major fund of Harrison County, Kentucky as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 22, 2007. Harrison County prepares its financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harrison County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

February 22, 2007



